

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF PENNSYLVANIA

MERCY HEALTH SYSTEM OF : CIVIL ACTION
 SOUTHEASTERN PENNSYLVANIA : Case No. 01-CV-5681
 Plaintiff, :

:
 v. :

CSI FINANCIAL, INC. :
 Defendant. :

FIRST NATIONAL BANK OF : CIVIL ACTION
 MONTANA, INC. and CSI : Consolidated
 FINANCIAL, INC. :

Plaintiffs, :

v. :

MERCY HEALTH SYSTEM OF :
 SOUTHEASTERN PENNSYLVANIA :
 Defendant. :

Friday, October 17, 2003

Oral deposition of RUSS ERDMAN,
 held at the Law Offices of Kittredge, Donley,
 Elson, Fullem & Embick, LLP, 421 Chestnut
 Street, Fifth Floor, Philadelphia, Pennsylvania
 19106, commencing at 9:51 a.m., on the above
 date, by and before Veronica M. Mc Kee,
 Professional Shorthand Reporter and Notary
 Public, Commissioner of Deeds.

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WITNESSPAGE

RUSS ERDMAN

BY: MR. BRUBAKER

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(By agreement of counsel,
 the sealing, certification, and filing
 are waived; and all objections, except
 as to the form of the question, are
 reserved until the time of trial.)

RUSS ERDMAN, after having been
 duly sworn, was examined and testified
 as follows:

E X A M I N A T I O N

BY MR. BRUBAKER:

Q. Good morning, Mr. Erdman. My name is
 Christopher Moore Brubaker. I'm an attorney.
 I represent the First National Bank of Montana
 in a case pending in the Eastern District also
 involving Mercy Health System and CSI
 Financial.

First off, is it all right with you if
 I refer to Mercy Health System of Southeastern
 Pennsylvania simply as Mercy?

A. Yes.

Q. You'll understand what I am referring

1 report since it was a 90 days as a recourse
 2 file and immediate notice but I would not have
 3 held that assumption for subsequent recourse
 4 files.

5 Q. So, by the spring of 2000 when you
 6 first viewed the contract, how many recourse
 7 files had you received?

8 A. To the best of my recollection, one.

9 MS. SCRIVANI: It's about 12:30.
 10 What do you want to do about lunch?

11 MR. BRUBAKER: We can stop here
 12 if that's --

13 THE WITNESS: It's up to you
 14 guys. I just want to run to the men's
 15 room for like two seconds. I'm
 16 drinking all this water.

17 MS. SCRIVANI: Why don't we stop
 18 for lunch. Do you want to do a half
 19 an hour?

20 MR. BRUBAKER: Can we say 45?

21 MS. SCRIVANI: That's fine with
 22 me.

23 (Whereupon, at this time a lunch

1 recess was taken from 12:26 p.m. to
 2 1:15 p.m.)

3 - - -
 4 MR. BRUBAKER: Can you just read
 5 back the last question and answer?
 6 - - -

7 (Whereupon, the court reporter
 8 read the testimony back as requested.)
 9 - - -

10 BY MR. BRUBAKER:

11 Q. So, before lunch we were talking about
 12 when you first viewed the contract with CSI and
 13 the bank and Mercy. At that time, did you
 14 obtain a better understanding of what Mercy's
 15 obligations were under the contract?

16 MS. SCRIVANI: Object to the
 17 form. You can answer.

18 THE WITNESS: Yes, I did.

19 BY MR. BRUBAKER:

20 Q. And what was that understanding?

21 A. That understanding was to report
 22 payments that we had received back to CSI as
 23 well as returns that we were requesting back
 24 from CSI as well as paying for the payments and

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 1 returns and recourse by CSI as per the terms of
 2 the contract.

3 Q. Were you aware of those items before
 4 you viewed the contract?

5 A. No, I was not.

6 Q. So, were you preparing return files or
 7 payment files prior to viewing the contract?

8 A. Yes, I was.

9 Q. Did you know why you were doing it?

10 A. Yes, I did.

11 Q. And why were you doing it?

12 A. Because my vice president told me to
 13 do it.

14 Q. But you didn't understand that it was
 15 -- at that time that it was some relation to
 16 the contract, you were just doing it because
 17 you were told to do it?

18 A. That's correct.

19 Q. Did you make any changes in the way
 20 you went about doing any of those things after
 21 you first viewed the contract?

22 A. No, I did not.

23 Q. Now, we were also talking about the
 24 immediate notice provision. And you mentioned

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 1 that when you viewed the contract, that was the
 2 first time you became aware of the immediate
 3 notice provision?

4 A. That's correct. - -

5 Q. And I believe you said that there was
 6 only -- you had only received the one recourse
 7 file from CSI at that time?

8 A. To the best of my knowledge, yes, we
 9 had only received one recourse file.

10 Q. Did you find that unusual after
 11 viewing the contract?

12 A. No.

13 Q. Why not?

14 A. I'm not sure I understand your
 15 question when you say do you find that unusual.
 16 Well, I mean the fact that we received only one
 17 recourse file?

18 Q. Yes.

19 A. No, I didn't find that unusual.

20 Q. Why did you not think it was unusual
 21 to have received only one recourse file over an
 22 at that point six, seven month period?

23 A. I would assume they were collecting
 24 our accounts.